

## Abstracts

Post Liberalization, India has witnessed a good growth rate in economy. The GDP has grown by in the range of 7- 8 percentage annually. The job prospects in India have increased phenomenally due domestic business climate and the influx of foreign companies and their investments. India has become a service outsourcing hub due to the available talent and infrastructure. The economic boom has been a boon to many in terms increased job and business prospects and this in turn has led to consumption of financial services in India. The growing needs and wants for financial products like loans, credit cards, insurance, banking facilities, investment opportunities itself is an indicator of the financial confidence among the Indian population. The lifestyle of Indian consumers has undergone a huge change reflecting in the way how one lives, the food one consumes, the homes people live in, the kind of transport people use, entertainment and health.

The number of banks has also increased over the last decade with many private and foreign banks setting up shop in India. (There are around 3000 registered banks operating in India. Source: RBI). With increased competition and a big banking customer base, many of the banks have resorted to intense competitive strategies to attract a customer into its fold. Most of the banks have similar offerings and very few banks have a differentiation approach. One of the reputed public sector banks had advertised with slogans like “We provide cars loans too”, especially when most of the banks were providing one.

The similarity in offerings and services poses difficulty to any bank to differentiate its offerings from the rest. Instead a better way to differentiate is to provide products and services that the customer really appreciates. In order to understand the needs and wants of the customer better, attitudes, interests, opinions, and lifestyles of customer have to be studied. This particular technique is called “**Psychographics**”. In simple terms “Psychographics” means mental portraits of the customer. A review of literature reveals that banking customers have been studied based on them bank selection behavior, channel preferences and product preferences separately. But banking behavior is combination of the above-mentioned individual components plus the lifestyle of the customer that may influence his banking behavior. A customer does not choose a bank based on its proximity or due to its friendly staff but may also check if the bank offers internet banking or provides educational loans and many more aspects. Thus, an integrated approach is necessary to understand the customer better. In this research we have attempted an integrated approach (by combining bank selection, channel preferences and product preferences) to understand the customer by also including some lifestyle related aspects that may influence a customer’s total banking behavior.

Based on preliminary observations, opinion from experts in the area and relevant literature review, the following objectives have been formulated for the study:

1. To identify the psychographic variables that are important for bank selection, channel preferences and product preferences for customers in the age group between 18 to 42 years, across two selected urban regions of Karnataka.

2. To obtain a general description of psychographics involving bank selection criteria, channel preferences, product preferences and usage, and lifestyle aspects that may be related to banking, of the two urban samples considered for the study.

3. To identify those psychographic variables that differentiate the two urban regions in their bank selection, channel preferences, and product preferences. (Bangalore is considered as Urban 1 and the grouping of Mysore, Mangalore, Hubli and Dharwad is considered as Urban 2 for this study).

4. To study the nature of relationship among psychographic variables belonging to bank selection, channel preferences, product preferences and lifestyles activities. To test the influence of lifestyle activities on banking, they are studied in the following ways:

a) By studying the psychographics of bank selection, channel selection and product selection and usage without the inclusion of lifestyle activities and

b) By including the lifestyle activities with psychographics of bank selection, channel selection and product selection and usage.

5. Influence of geographic region on segmentation of retail banking customers with respect to bank selection, channel selection and product selection.

6. To Test hypotheses relating to a) the factors influencing the banking selection, channel selection and product selection of the urban regions under consideration (relating to the similarity of psychographic segments of the two urban regions) and 2) hypotheses, relating to observations of certain specific psychographics exhibited by a) customers of the two urban regions, and b) customers from different demographics.

7. To construct a psychographic model of bank selection, channel selection and product selection Banking Customers of Karnataka in the age group of 18- 40 years were subjected to a personal interview with the instrument being a questionnaire contained 24 bank selection variables, 19 channel preference variables, 17 product preference variables and 6 lifestyle variables. The variables were selected from the literature and also from discussions with experts in the area of banking that was assumed to be relevant in Indian context. The region of Karnataka was classified as Urban one (comprising of Bangalore) and Urban two (comprising of Hubli –Dharwad, Mangalore, and Mysore).

A descriptive analysis was done area wise in order to get a general picture of the relevant variables. A Discriminant analysis was performed between urban one and urban two areas to get the dominant variables that discriminated between the two areas considered for the study. Hypotheses were formulated based on literature, observations from data analysis and general observations of the banking system and tested.

A Factor analysis was conducted to get the dimensions of bank selection, channel preference, product preferences and lifestyles. Confirmatory factor analysis has been used to test the hypotheses and for modeling the factors responsible for the bank selection, channel selection and product selection across the different urban regions considered for the study.